

Message Text

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TO AMEMBASSY SEOUL

C O N F I D E N T I A L STATE 094333

FOLLOWING REPEAT KUWAIT 1697 SENT SECSTATE INFO ABUDHABI
BEIRUT BONN DOHA JIDDA LONDON PARIS TEHRAN TOKYO OECD PARIS
EC BRUSSELS DATED APRIL 19.

QUOTE

C O N F I D E N T I A L KUWAIT 1697

DEPT PASS TREASURY FOR ASS'T SECRETARY PARKSY

E.O. 11652: GDS

TAGS: EFIN, EINV, PFOR, KU

SUBJECT: THE POLITICS/ECONOMICS BEHIND KUWAITI INVESTMENT POLICY

REF: (A) KUWAIT 1675 (NOTAL) (B) KUWAIT 1682 (NOTAL)

1. RECENT VISITS HERE BY TREASURY ASSISTANT SECRETARY PARSKY AND
MISSISSIPPI GOVERNOR WALLER, PARTICULARLY THEIR MEETINGS WITH
FINANCE MINISTER ATEEQI, REVEALED THE AMBIVALENT CHARACTER OF
KUWAITI INVESTMENT POLICY. FROM KUWAITI PERSPECTIVE THERE ARE
DISTINCT ECONOMIC AND POLITICAL ASPECTS TO FOREIGN INVESTMENTS
THAT AT TIMES GET IN THE WAY OF EACH OTHER. GIVEN APPARENT
INTEREST AND SENSITIVITY IN US, PARTICULARLY IN CONGRESS, TO
ARAB INVESTMENT, WE BELIEVE FOLLOWING POINTS MAY BE USEFUL
FOR US OFFICIALS TO DRAW UPON IN DISCUSSIONS WITH JOURNALISTS,
CONGRESSMEN OR OTHER OPINION LEADERS.

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2. PRIMARY PURPOSE OF FOREIGN INVESTMENT BY GOK IS NOT SO MUCH TO DO SOMETHING WITH SURPLUS FUNDS AS IT IS TO DEVELOP BROADLY-BASED NETWORK OF INVESTMENTS WHICH EVENTUALLY WILL PROVIDE INCOME THAT WILL ALLOW HIGH LEVEL OF STANDARD OF LIVING TO BE MAINTAINED AFTER OIL INCOME PEAKS. FOREIGN INVESTMENT FOR GOK, THEREFORE, IS ANALOGOUS TO INDUSTRIAL, AGRICULTURAL OR OTHER ECONOMIC DEVELOPMENT IN OTHER COUNTRIES.

3. FOR GOK, THEREFORE, INVESTMENT ABROAD IS SERIOUS BUSINESS. GOK DOES NOT WANT TO ATTRACT ATTENTION TO ITSELF AND IT IS LITTLE INTERESTED IN PRESTIGE. WHEN GOK BOUGHT INTO DAIMLER-BENZ IT WAS FOR HARD-HEADED BUSINESS REASONS AND WAS A STRONG VOTE OF CONFIDENCE IN THE COMPANY. SO WAS ITS STILL-BORN ATTEMPT TO INVEST IN LOCKHEED. FOR ALL ITS SOPHISTICATION GOK CAN BE WOEFULLY NAIVE REGARDING FOREIGN PERCEPTIONS OF ARABS AND KUWAITIS. THUS, OFFICIALS ARE STUNNED AT PUBLIC OUTCRY WHICH THEY--NOT ALTOGETHER WRONGLY--ASCRIBE TO A PECULIAR FORM OF ANTI-SEMITISM, WHICH IS TO SAY ANTI-ARABISM.

4. KUWAITIS' HIGHLY DEVELOPED ENTREPRENEURIAL SENSE HAS TAUGHT THEM TO BE QUIET AND CAUTIOUS. THUS THEY APPROACH INVESTMENT WITH GREAT SECRECY. IN ADDITION THEY BELIEVE THAT FREEDOM OF MANEUVER IS ESSENTIAL. OVER YEARS GOK HAS COME TO KNOW WELL AND TRUST SMALL GROUP OF HIGHLY REPUTABLE AND STRONG FINANCIAL INTERMEDIARIES. FOR ECONOMIC RATHER THAN POLITICAL REASONS GOK WILL WANT TO CONTINUE TO OPERATE AS IT HAS.

5. GOK INVESTMENT PRACTICES ARE AFFECTED BY POLITICAL FACTS OF LIFE, HOWEVER, ARAB-ISRAEL PROBLEM IS ALWAYS THERE AND OUR SUPPORT FOR ISRAEL CAN EMBARRASS PEOPLE LIKE ATEEQI WHO BY NOW IS ALERT TO PRESSURES FROM MANY DIRECTIONS FROM PEOPLE, INCLUDING THOSE IN KUWAIT ITSELF, WHO CRITICIZE HIM AND GOK FOR MAKING INVESTMENTS IN US. HIS PROBLEM IS COMPLICATED BY WHAT HE PERCEIVES TO BE A HOSTILE AMERICAN PRESS AND CONGRESS THAT DOES NOT WANT KUWAITI INVESTMENT. THUS, IF HE STILL WISHES TO INVEST GOK FUNDS IN US, TENDENCY TOWARD SECRECY, EXTREME CAUTION AND RELIANCE ON OLD, TRUSTED FRIENDS IS REINFORCED.

6. ATEEQI HIMSELF PERSONIFIES KUWAITI DILEMMA. BASICALLY
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HE HAS GREAT FRIENDSHIP AND ADMIRATION FOR US, AND IN ANY CASE, HE RECOGNIZES VALUE TO KUWAIT OF MAKING INVESTMENTS IN US. AT SAME TIME POLITICAL ATMOSPHERE IN KUWAIT, IN ARAB WORLD GENERALLY AND IN US AND HIS SINCERE DESIRE TO WORK FOR DEVELOPMENT OF POORER ARAB STATES MOTIVATES HIM TO PLACE KUWAITI FUNDS IN PLACES OTHER THAN US.

7. FOR NOW, ATEEQI IS NOT STOPPING KUWAITI INVESTMENT IN US

COMPLETELY, BUT HE PROBABLY WILL BE RESTRAINED IN LEVEL AND
MANNER OF KUWAITI INVESTMENTS THERE. MEANWHILE, HE WILL BE
LOOKING FOR FORWARD MOVEMENT ON DIPLOMATIC FRONT ON ARAB-
ISRAEL ISSUE AND INDICATIONS FROM PRESS AND CONGRESS THAT
US IN FACT WELCOMES ARAB INVESTMENT. UNTIL GENERAL PUBLIC
ATMOSPHERE IMPROVES, KUWAIT INVESTMENT IN US WILL BE DONE
QUIETLY AND INDIRECTLY, AND, PERHAPS MORE IMPORTANTLY FROM
OUR POINT OF VIEW, WITH A MINIMUM OF ENTHUSIASM.
STOLTZFUS
UNQUOTE KISSINGER

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